

Fuzzy Logic And Management Mistakes In Contemporary Corporate Decision-Making

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Abstract: Intensive and extensive, radical and dynamic changes in the today's environment require adjusted, creative and innovative managerial developmental solutions, also based on the fuzzy logic, needed for strategic decision-making in contemporary business conditions, otherwise the management cannot be able to successfully ensure further existence and development to the organisations. Although the state of crisis in the company can be affected by various interrelated external and internal causes, which as to intensity and appearance vary by company, the essence of the causes surely lies in the management of the company. Despite the fact that the hypothesis of existing a pattern of management mistakes which follows the changes in political and economic environment cannot be completely reliably confirmed some outlines of such pattern are in spite of all seen. In highly complex business environment, characterized today by financial crisis, recession or slowdown of world or national economies, when much more fuzzy logic in management decision-making is needed, management mistakes can derive also from incapacibilities to cope with such complex environment.

Keywords: complex environment, crisis, decision-making, management mistakes, transition

1. INTRODUCTION

From business practice and academic literature it is well known that management mistakes can be a prevailing internal cause of corporate crisis. However, the management mistakes are usually treated as a homogeneous group neglecting that they are actually deriving from different basis, circumstances and periods. A classification of management mistakes are sometimes recommended, especially when crisis solving or radical changes is needed in a company in order to improve the chances for further existence and faster development. In highly complex business environment, characterized today by financial crisis, recession or slowdown of world or national economies, when much more fuzzy logic in

management decision-making is needed, management mistakes can derive also from incapacibilities to cope with such complex environment.

In this empirical and comparative article we tried to find and form a pattern of management mistakes characterised for a country in transition where business conditions changed dramatically in short period of time. Based on several empirical researches and author's own strategic management and restructuring consultancy practice in 57 companies from various branches in Slovenia from 1994-2008, working also as crisis management, some managerial implications are formed as a conclusion of the paper. Despite the fact that the hypothesis of existing a pattern of management mistakes which follows the

changes in political and economic environment cannot be completely reliably confirmed some outlines of such pattern are in spite of all seen.

2. ROLES AND TASKS OF CONTEMPORARY MANAGEMENT – REVIEW OF KEY FINDINGS

A theoretical frame of today's business can be presented by at least fifth theories which on the basis of theoretical discourse influence the forming of various business approaches and models, and at the same time they lower the reliability and applicability of corporate long-term planning. These theories are: theory of chaos, theory of complexity, theory of contingency, "gestalt" theory (theory of shape) and theory of synergy. The aforementioned theories are not newly discovered and their roots already date back to the 60ies, although they are more easily utilised for interpreting the contemporary corporate developments today in comparison to the mechanistic or the basic statistical views.

In the past managers have frequently relied upon the general managerial approaches containing the key presumption that a defined level of predictability and order exists. Such presumption, based upon the Newtonian science as the base of the scientific management, stimulates the simplifications that are useful in regulated circumstances. Since the circumstances change such simplifications are (no longer) not useful. If short and middle term plans are not sufficient or directly applicable for planning the strategic developmental orientations (the future of the company in question), since the latter had been prepared according to the corporate circumstances in a particular environment, and the circumstances have significantly changed up-to the point of their implementation, the corporate vision i.e. the visionary capability of the management becomes much more significant as it defines the corporate "course of navigation" (development).

Therefore, since the developments in the environment ever more intensify, while

simultaneously being less linear and predictable i.e. predicted, developments in the environment must be accordingly more attentively monitored and the company simultaneously adjusted (actively or reactively, evolutionally or revolutionally) to such changes. This, once again, places continuous attention and preparedness for changes in front of the management, as the passive approach cannot be successful. This does not only concern well developed systems and development of processes in the environment but also their introduction into the company and the adjustment of the company to the detected changes. One can determine that the previous managerial models and patterns represent a useful aid, although not sufficient. Modern, quality strategic management becomes even more significant for efficient and successful operation of the company, while strategic decisions, containing a wide spectrum of possibilities of decision-making, must be passed more rapidly and in ever more uncertain circumstances, which demands continuous attention and activities of the management. There will ever be less opportunity for a slow, intrinsic and non-creative operation i.e. operation without a visionary brightness and knowledge of most various factors of the contemporary environment and the contemporary forms of business operations.

Research has shown that the managers who are successful in the circumstances of higher level of turbulence in the environment much better comprehend how to design an organisation (the management, culture, structures, entrepreneurial behaviour) that is to be successful in such an environment. Internally orientated managers operating within the so-called closed minded system are less successful on average (Snowden in Boone 2007; Underwood 2002, 53). Managers leading a company in particularly demanding and open competition environment much more rapidly and successfully develop efficient strategic approaches in comparison to e.g. managers in monopoly or state-owned companies not facing the competition i.e. the global competition.

During the major part of the 20th century organisations led their businesses in a reasonably stable corporate environment and the managers were able to concentrate upon the design of structures and systems supporting smooth and efficient operations of organisations. Today's organisations must

invest great efforts in successful pursue of changes, whereas their intensity significantly rises. Companies constantly change the extent and quality of engaged assets, routine labour, knowledge and natural recourses. Efficient managers must comprehend the alternative approaches to management and use of such models for various contexts and requirements.

Although there is an abundance of data and analyses experienced managers under pressure must rely upon the right instinct in regard to passing difficult decisions (Matzler, Bailom and Mooradian 2007); this frequently exposes intuitive decisions in front of the analytical and routine ones, while there is ever less possibility and opportunity for the latter ones. Routine decision-making is effective on one hand but it possesses limited effectiveness; analytical decision-making is rational, but it soon surrenders when faced with complexity. Therefore, particularly in complex circumstances intuitive decision-making prevails – based upon thoughts, ideas having its roots in the deep memory (Tavcar 2008, 144).

The increased complexity of the strategic management is influenced also by changed tasks, jurisdictions and responsibilities of managers that, due to contemporary characteristics of business operations, do not only include responsibilities for the organisational unit (company, corporate system, sector, department) but for the entire planning, harmonisation, leading and monitoring the operations that, with the use of strategic partnerships, capital mergers, outsourcing etc., do not take place merely within “their” organisational unit but also in other companies. Consequently, responsibility for the successfulness of “one’s own company” (organisational unit) is replaced by the successfulness of operations superseding the company, while this is crucial for the successfulness of the company (corporation, legal entity) itself being managed. The management in this case also master the relations with other participants, frequently operating in other countries i.e. in different political, economic and social environments, if they are to fulfil the afore mentioned role that deviates from leading the company to leading operations. This, once again, requires new, additional competences that might not have been mandatory in the past. Such operation can only be mastered by a global manager (Ernst 2008, 323) with global reasoning, cultural

adjustability, multi-cultural values, cultural intelligence, and capability for learning and global managerial competences.

Development of the information-communication technology can even lead to a misapprehension that the managerial decisions can be replaced by pre-prepared technological solutions. In reality, headway in the ICT domain can be an aid and support to the management but it cannot substitute the subjective managerial assessment or decision-making regardless of the sophistication of the technological solution. It is dangerous to rely upon (or make excuses) the fact that the strategic decisions will be made “outside” the strategic managerial assessment.

If changes in the environment become ever more frequent, more rapid and less predictable what rules or formulas are to be followed by the management in order to avoid the emergence of a latent or acute crisis in a company and further assure existence and (rapid) development? Due to particularities of each individual case (company) there is actually no formula. Therefore, in regard to contemporary developments in the environment, the corporate practise permanently develops new approaches on how to survive and be successful in such a turbulent, complex and chaotic environment, and they are all based on the inevitability and continuity of the so-called three-level action:

- monitoring the developments and changes in the environment,
- transfer of present and future characteristics of the environment into the company,
- implementation of changes in the operations of the company, based on this.

Only in this way a company can respond to the turbulence in the environment that is beneficial from the point of view of its operations today and totally hostile tomorrow, while the three-level action must not be a temporary or occasional task but a means of the continuous operation of the management.

In our researches (Dubrovski 2004, 2004a, 2009, 2009a) some following characteristics of *roles and tasks of contemporary management* can be summarised:

- operations of an individual company must not be opposed to the basic

characteristics of the general macro-trend of the today's environment (internationalisation, flexibility, informatisation, marketing, innovativeness), while it is most beneficial, if they are completely harmonised, meaning that the company, when setting-up the vision and strategic orientations for ensuring further existence and development, must account for continuous development of new managerial approaches and methods besides new products and services and new technological and manufacturing procedures;

- contemporary company is simultaneously flexible, agile, dynamic, flat, virtual, network-organised, modular, adaptive, project-organised, intelligent and continuously learning, as it contains all characteristics of the afore mentioned connotations;
- changes in the contemporary corporate environment in all domains are extremely dynamic, turbulent and unpredictable, and the latter demand permanent adjustment of the company by preparing and implementing both active and reactive on one hand and evolutionary and revolutionary methods of company renovation; "hyper-competition", i.e. dynamic and unpredictable environment requires flexible, innovative and creative organisations that can rapidly adjust to the altered rules of the competition arena;
- developments in the contemporary environment are not predictable nor linear (linearly proportional) but are based upon the most various events and phenomena that frequently cannot be causally linked (cause-consequence relation), while this fact burdens managers when planning the long-term development;
- dynamic changes in the environment and unpredictable changes face the contemporary management with continuous preparedness for implementing changes with the use of

the three-level model (monitoring, transfer, implementation) in order for the company to follow changes in the environment;

- since the changes bring about new quality in a dialectical way (negation of negation) routine decisions, based on similar previous events in the past, become less useful, while analytical and moreover decisions having intuitive character become significant, when solutions are sought outside the well-established reasoning frameworks based on innovative and creative approaches;
- numerous business models that might have represented the basic frame for decision-making in particular previous situations are (no longer) not applicable or their applicability is significantly reduced due to numerous limitations or invalidity of presumptions that they are based upon; in contemporary business circumstances previous (archaic) managerial models, approaches, stiles and competences (skills, knowledge and capabilities) are no longer sufficient, therefore, new ones, frequently innovative ones, have to be created;
- on one hand extreme intensity of changes in the macro and micro-environment and, on the other hand, inapplicability or limited applicability of previous models, methods, procedures and approaches places the management in an extremely demanding position, since in the circumstances of incomplete information, risks and uncertainty, when the previous practice (routine) or pre-prepared plans cannot be relied upon, the most optimal decisions have to be made, frequently radical ones, while being time pressured;
- therefore, due to the all afore mentioned, the role and complexity of the management (in the so-called demanding or chaotic context) increases, while the headway in the information-communication technology and models for predicting the future does not substitute the

management but can only serve as an aid and support; and moreover, due to the very extreme headway in most various technologies and the extent of the available information, frequently non-processed and even contradictory, the subjective assessment of the management including the social, environmental and ethical responsibility is of the key significance.

Intensive and extensive, radical and dynamic changes in the environment require adjusted, creative and innovative managerial developmental solutions, based also on fuzzy logic, needed for strategic decision-making in today's business conditions, otherwise the management cannot be able to successfully ensure further existence and development to the organisations.

3. CAUSES OF CRISIS

A crisis is inseparably connected to contemporary companies (organisations). With the rise of complexity of companies that is interactively connected to various social spheres, the possibilities for the emergence of a crisis rise again, while the range of causes that can lead to a crisis also rises. If all other crises are added to this domain, we may consent that a crisis is as "inevitable as death and taxes" (Fink, 1986, 67) in today's business. »Sooner or later, every business will be confronted with a crisis of some type. Its ability to manage the crisis successfully can mean the difference between survival and disaster.« (Spillan, 2003).

When talking about a company crisis, a crisis can be defined as a short-term, undesired, unfavourable and critical state in the company which has derived from both internal and external causes and which directly endangers the further existence and growth of the company (Dubrovski, 2004a; cf. e. g. Barnett & Pratt, 2000; Barton, 1993, 2; Buchalik, 2004, 30; Fink, 1986, 15; Heath, 1998, 13; Kraus & Becker-Kolle, 2004; Lerbinger, 1997, 4; Mitroff, Pauchant & Shrivastava, 2006, 51; Moore & Seymour, 2005, 31; Neubauer, 1999, 8; Roux-Dufort, 2003, 51; Slatter, 1987, 61; Smith, 2006, 7.).

Hart, Heyse & Boin (2001) point out that the practice of crisis management has

significantly changed during the recent period, which is indicated by the following characteristics (cf. also Boin & Lagadec, 2000): the society has transitioned from the industrial into a more risky one, globalisation enables a more rapid and simplified movement of products, services, technology, people and information, therefore, in the environment of such complex network of links the level of risk increases; if the level of safety in the society increases, the people and institutions become more vulnerable when something unpleasant, dangerous happens; instead of a heroic answer to a crisis, multi-domain and cross-border measures are required (a crisis affects both the local and the regional as well as the national level, occasionally the multinational as well); instead of episodic measures during a crisis, a continuous crisis management is to be developed (preventive and curative treatment and learning from the crisis). In comparison with symptoms, on the other hand, which only point to the state of crisis, the causes are actually "responsible" for the present position. When talking about crisis solving, one must consequently analyze and do away its causes without focusing on its symptoms. The analysis of proper causes of occurrence of certain state is of extreme importance since it identifies those areas (processes, appearances, events) which of effects must be restrained and reduced. Addressing wrong causes means further useless waste of time, money and effort which only intensifies the state of crisis.

In spite of the fact that the literature states various classifications of the causes of crises (some sources are e.g. Bellinger (1962, 58), Buth & Hermanns (2004), Kraus & Becker-Kolle (2004, 15-16), Mitroff, Pauchant & Shrivastava (2006, 51), Müller (1986), Pate (1999, 55), Richardson (1994), Slatter (1987, 25-55), Turner & Pidgeon (1997), Wildemann (2004, 193), and www.infoquelle.de), it is nevertheless possible to say that the definitions of the causes are, more or less, similar but differ in their terminology, time when they were drafted, the domain that they refer to and the type of business which is predominant.

The causes of emergence of crises may be divided into: external and internal. The external causes of crises are usually those that have emerged in the environment of a company, while the latter had no significant influence on their emergence. Therefore, they are frequently denominated as objective or

exogenous. The internal causes, on the other hand, are those that have emerged within a company and, therefore, are denominated as subjective and endogenous.

An analysis of the true causes for the emergence of a certain state is of extreme significance, since those domains (processes, phenomena, events), regarding which the effects are to be limited or done away with, are identified by utilising the analysis. Dealing with erroneous causes represents a further useless loss of time, money and efforts, which only makes the critical situation more acute.

Although the external causes play the key role for the emergence of a corporate crisis in many cases, those that emerge within a company itself nevertheless predominate. The external environment, in principle, represents the aggregate of uncontrollable variables that have to be adjusted to by the company, along with its internal processes, structures, strategies and the marketing mix, which represent the aggregate of controllable variables. If a company does not adjust to the external variables, then it may be possible that the internal causes exist regarding this. Or to put it differently: potential external causes of a crisis can be successfully eliminated by internal changes (adjustments) in the company.

It was already pointed out at defining a crisis that, in principle, both internal as well as external causes intertwined brought about a critical situation (the so called multi-causeability of a crisis or also “polymorphous phenomenon” according to Hensen, Desouza & Kraft (2003)). Mellahi & Wilkinson (2004) state that the organizational failure is connectively influenced by environmental factors (technological uncertainty, regulatory changes, economic changes), ecological factors (density, size, age, industry life-cycle), organizational factors (management tenure, homogeneity and successions, past performance) and psychological factors (managerial perceptions). According to Hamilton & Micklethwait (2006, 1) the main causes of failure can be grouped into six categories: poor strategic decisions; overexpansion and ill-judged acquisitions; dominant CEOs; greed, hubris and the desire for power; failure of internal controls at all levels from the top downwards; and ineffectual or ineffective boards.

When the management merely analyzes the causes, it, almost without an

exception, overestimates the external causes while underestimating the internal ones, which is reasonable since the latter are a direct criticism of the same management up to the point in time in question. Therefore, in the case of a detailed analysis of the causes, an objective and neutral, in regard to the implementer, overview of the causes must be prepared by all means, which may be most effectively carried out by skilled consultants, owners, debtors, industrial experts and others and not be left to the existing management. Researches also show that people tend to overestimate their own influence on successes while they blame failure on external uncontrollable factors (Mellahi & Wilkinson, 2004).

The key cognition in this part of the debate is that the analysis of the causes of a crisis must not be left solely to the views of the (existing) management, since its selection of causes can lead to a wrongful resolution of the crisis, which only deepens the latter.

4. TYPES OF MANAGEMENT MISTAKES

The emergence of a crisis is influenced jointly, i.e. parallel and in an intertwined manner by both the internal and external causes (events, phenomena and processes). Very few critical circumstances exist that are an exclusive consequence of the first or the second type of causes.

Although the state of crisis in the company can be affected by various interrelated external and internal causes, which as to intensity and appearance vary by company, the essence of the causes surely lies in the management of the company (Clarke, Dean & Oliver, 2003; DiNapoli & Fuhr, 1999, 6; Hamilton & Micklethwait, 2006, 1; Kraus & Gless, 2004, 116; Müller, 1986, 376; Platt, 1998, 16, 17).

Management mistakes can be divided into three groups:

- different acting of the management which proves to be inadequate or less appropriate, regarding the perceived problem (wrong or bad business decisions, mismanagement),
- omission of the correct and timely acting when any decision is made despite the fact that actions are

- necessary (stoppage or redirection of negative flows, lost opportunities, etc.),
- immoral behaviour (unethical decisions, abuses, deceptions, accounting scandals, criminal offences).

While the erroneous managerial decisions (e.g. unelaborated investments into new technologies, a takeover of a company), which can be influenced by the external causes, are visible, ascertainable and provable, the omission to act, on the other hand, which was necessary in a particular moment, is less ascertainable, although this very group can be considered as the most dangerous causer of crises. Hartley (2005, 2) divides management mistakes in two main groups: mistakes of omission (no action was taken) and mistakes of commission (bad decision, wrong actions taken, etc. Evaluation of the successfulness of the management will often be possible in a longer period by a comparison with the competition or with the average of the industry, while actually one can never ascertain whether a hypothetically different management would have been more successful in the same circumstances. What does e.g. an overlooked business opportunity taken by the competition mean? What does the developmental (technological and programme) passiveness mean? What does unpreparedness for carrying out fundamental interventions into inefficient structures and processes mean? All these cases are not about erroneous business decisions, but about a lack of whatsoever decisions and practices that can trigger a severe crisis as a consequence of their adoption of erroneous decision.

Sheppard & Chowdhury (2005) pointed out that there are four essential points one needs to know in order to understand organizational failure:

- failure is not typically the fault of either the environment or the organization, but rather it must be attributed to both of these forces as failure is the misalignment of the organization to the environment's realities;
- because failure involves the alignment – or misalignment – of the organization and its environment, it is, by definition about strategy;

- because failure deals with strategy, we can make choices to accelerate it or avoid falling into its clutches;
- because organizational failure can be avoided even after a decline – rapid or prolonged – the ultimate failure of the organization really stems from a failure to successfully execute a turnaround.

In business literature regarding mistakes of the management various theoretical debates can be found on the question of how such mistakes came about. On the one hand classical industrial organization and organization ecology scholars have typically assumed a deterministic role of environment and argued that managers are constrained by exogenous industrial and environmental constraints leaving them with little real strategic choice, and hence managers' role should be ignored. Sometimes a change is hard to predict and it heightens uncertainty for key organizational members. Criticism is related with the question of why it is that firms in the same industry facing the same industry-level constraints fail while others succeed. In addition, studies demonstrated that performance is determined by the firm strategy more than the industry. On the other hand, the organization studies and organizational psychology literature takes a more voluntaristic perspective and argues that managers are the principal decision makers of the firm and, consequently, their actions and perceptions are the fundamental cause of organizational failure. Critical remarks of the latter are connected with over-reliance on internal factors (Mellahi & Wilkinson, 2004).

Mistakes are a constitutive element of the process of strategic management and, due to an unpredictable and turbulent environment, will always exist. There is no 'right' or 'wrong' in making business decisions – decision-making is not like mathematics where you can prove that something is 'right' (...) Business decision-making is far more situational – the right decision today is really just the 'best decision' based on the current situation, what is known, and what the options are« (Kow, 2004). Omissions of the correct and timely acting are of key importance for further development of a company, when measures, activities, developmental programmes and so on are not being carried out, which represents a loss of

opportunities that would enable further existence, i.e. a more rapid growth, while simultaneously the competition is taking advantage of the same opportunities and increasing its power at the cost of the inactive company. "Even the most successful organizations make mistakes but survive as long as they maintain a good 'batting average' of satisfactory decisions" (Hartley, 2005, 333).

5. EMPIRICAL FINDINGS - THE CASE OF TRANSITION PERIOD IN SLOVENIA

The period of transition has caused similar macro-economic consequences in all transitional countries. At the beginning of the transitional period the countries lost markets in Eastern Europe and in the Balkans, which initially led to a decline in GDP and a higher unemployment rate. Such circumstances led to a decreased aggregate demand and supply, i.e. to stagnating economies. The companies from transitional countries, sometimes facing deep crises, were forced to refocus their operations towards the markets of the EU, which required integral and drastic restructurings. A rapid and expansive privatisation of companies, in state ownership, was the primary objective of all socialist countries, since it was expected that the privatisation and autonomy of companies would trigger an increased interest both on the part of the labour force and on part of the management for improvements in efficiency and successfulness of ventures.

Slovenia, according to numerous indicators, is completing the transitional period that begun in 1991 by the formal emancipation from the prior federal country of Yugoslavia and that was followed by the formal transition from the socialistic social order, by the transition from the one-party party system to the pluralistic parliamentary system and the transformation of the state (social, public) ownership into the private (the process of privatisation).

The political changes had profound economic impacts, particularly for those industries and companies that were entirely or predominantly oriented to the relatively favourable Yugoslav market, which was practically completely closed in that period due to the events that followed the disintegration of

Yugoslavia. Therefore, the management, which were not accustomed to highly competitive environments typical of global markets, were forced to seek substitutive markets actually "over-night", whereas superior quality, attractive prices and an appropriate marketing approach had to be provided. It can be concluded from the stated excursus that the position of an individual company within an industry must be monitored from the perspective of the circumstances in the industry, which can be identical to the economic conditions in the region or the country; it may also be better or even much worse.

Profound revolutionary changes both on the domestic as well on the world scale (globalisation) had brought tremendous pressures on the existing management. At that point in time extensive manufacturing orientation dominated, typical of all socialistic economies, a spontaneous (ad-hoc) approach prevailed in comparison to a planned and systematic one. There was a deficit in knowledge in other domains (primary marketing) and a poor acquaintance of the international trade (varied among industries), since most of the transactions were carried out in the internal (ex-Yugoslav) market.

Consequently, the first stage of the transition (1991-1996) was not characterised so much by erroneous (bad) management decisions but predominantly by omissions to act, i.e. preparations for and carrying out measures for an integral strategic (programme-market, developmental-technological, manufacturing, financial, personnel, organisational, informational, etc.) restructuring.

A lack of experience and knowledge in the field, sometimes also a lack of political will, prevented a more successful restructuring of numerous Slovene companies that either ceased operating or underwent a perspectiveless agony with the help of state aids.

According to the German model (Treuhandanstalt), Fund for Development was established in Slovenia that became the owner of 98 companies, employing 56.000 people, i.e. 10 % of all employees. The aggregate loss of these companies, which was defined as irresolvable without state aids, amounted to approximately 1 billion EUR. Until the end of 1993 new management replaced the prior ones in 70 % of the cases. Since the new temporary "state" managers were insufficiently skilled, a

series of numerous *erroneous strategic managerial decisions* were taken in these companies, while somewhere even *immoral deeds* were not a rarity. In the companies, which had been in one way or another taken under state umbrella, thus, *omissions of acting* did not dominate, since the temporary managers were forced to carry out any measures available, but an abundance of wrong or bad decisions followed as a consequence of insufficient skilfulness and unorganised operation that could have been avoided in many cases. Mistakes of the management were “covered” by the additional state aid.

After a relatively short period of independence many companies faced a new shock, when Slovenia became a member of the European Union in 2004 (rules of the EU were actually effective even before, as of the Stabilisation-Associational Agreement), once again differently among industries and individual companies. Likewise, the story from the beginning of the transition repeated once more when many companies did not adjust their operations to the new circumstances (omissions of management to act), although, due to the bitter experiences from the past, there were yet considerably fewer such failures (the reason can also be found in the private ownership of the companies). Those industries, which had been in a more or less healthy state due to the protectionisms, again having various origins regarding both the Slovene as well as the former Yugoslav market space where these companies were dominant (e.g. food-processing industry), reacted worst. By the accession to the EU, Slovene companies lost their competitive advantages in those markets in comparison to other EU countries.

During the period of transition all types of management mistakes could be found in Slovene corporate systems, which is not surprising or on the contrary to the other economic environments. Their influence (extent) differed during individual periods and with regard to the characteristics of the external and the internal environment, where individual companies operated, thus, fundamental typical patterns evolved.

One can ascertain that the omissions of the correct and timely acting played the key role during the period of transition and erroneous decisions, on the other hand, to a lesser extent, while the latter predominated in cases when the company was receiving

significant state aids. The mistakes, by all means, are a constitutive part of the management process. Where the environment is more turbulent, as was true it for Slovenia, there are greater possibilities for mistakes that, in regard to the dramatic changes in the environment, were generally not “too extensive” at all. If a company operates in an industry, which is characterised by a high, above average, growth rate, then the mistakes or troubles that would represent a severe critical situation in a poorly positioned industry will not have lethal impact. This means that the subjective decision (the internal cause) was directly connected to the events in the environment (the external cause). Simplified, it is still true that a company, operating in a stagnating industry, must make more key decisions in a short time period and often without an appropriate support, which, all together, only increases the possibilities for mistakes.

In the second period of the economic part of the transition the objective for Slovene companies was to increase primarily their competitiveness, i.e. the value productivity and to catch-up the developed countries. According to the value-added per-employee indicator (31.000 EUR) Slovene processing industry is lagging behind the average of the EU-27 40 % (2007), although this varies among industries. Regarding the fact that Slovenia was the most developed accession country, according to most indicators, at the point of accession, a comparison with the “older” members (the EU-15) would show a lag of 2 to 4 times.

Slovene companies, therefore, will have to boost the development of products incorporating a higher value added, which, once more, demands a complete commitment and skilfulness of the management. On the average, an insufficient part of the developmental, innovative component in products and services of producers is one of the key problems of Slovene economy.

International comparisons indicate that the intensity of restructuring in the processing industry in Slovenia in the second half of the 1990ies was higher than in the eleven out of thirteen countries of the EU (for Ireland and Spain the data are missing) and slower comparing to the three transitional countries, for which the data (UMAR, 2002, 24) are available (Hungary, the Check Republic, Slovakia). Although the value added

per employee has increased in real terms, the contribution deriving from factual successful restructuring of companies is far lower, since quite a few large unsuccessful companies have disappeared in this period and their absence from statistics had a significant influence on calculation of the average. Since the value added in real terms also rises in the EU, Slovenia's lagging according to this indicator is not decreasing, taking into account for the aforementioned influence of the "failed" companies. This practically means that it cannot achieve the EU-27 average by an evolutionary change.

The solution, therefore, can be sought in a revolutionary change of the economic structure that is ever more being characterised by sophisticated services. Simultaneously this solution is to be sought in abandoning and outsourcing the unprofitable mass non-sophisticated production in individual industries, as well as in individual companies, where transition into narrower market segments and market niches represents a real opportunity, likewise in a revolutionary manner. Exactly at this point a danger lurks again that the restructurings are not sufficiently rapid, integral and radical, i.e. *the danger of omission of the correct and timely acting* appropriate and timely reactions by management, which is, due to a required compensation of the lagging regarding the developed countries, actually necessary.

When considering crisis management less critically, there are often opinions to be heard that the latter is typical only of periods of

the so-called transition of the economy, when the weak companies that are allegedly in the need of crisis management are presupposed to go bankrupt, while only the successful companies, not operating according to the principles of crisis management, are to survive, therefore, the significance of the latter will diminish.

Unfortunately, the international and the domestic experience indicate differently. If, presumably, Slovenia completed its "period of transition" with the accession to the EU, then the period of severe crises in companies has not ended, on the contrary, for many the latter has just begun due to this very reason. A significant lagging of the Slovene processing industry behind the average of the EU-27 (even more of the EU-15) indicates that the Slovene management will be forced to draw rapid and often radical and environmentally appropriate moves in the future, where there will be increasingly less space will there be for management mistakes that could have been kept secret during the period of transition (Table 1).

Because the environment for conducting business is becoming ever more complex and turbulent, crises become ever more complex, interrelated and interdependent as well (Boin and Lagadec, 2000). Even small deviations from the initial guide-lines may lead to a rapid escalation of the problems.

Therefore, the measures for remedying the crises are becoming more demanding and extensive.

Table 1: A pattern of management contribution in Slovene transition period

Period	1991-1996	1997-2003	2004 - 2008
Key features	Lost markets, stagnation, deep crises	programme-market restructuring, state aid	EU integration, higher value added is needed
Prevailing management approach	Spontaneous, ad hoc approach, lack of strategic management	Introduction of planned approach with basic elements of strategic management	Planned, systematic approach, further development of strategic management
Prevailing management methods	Crisis management	Restructuring projects	"Classical" strategic management
Prevailing types of management mistakes	<ul style="list-style-type: none"> Omissions of the correct and timely acting 	<ul style="list-style-type: none"> Wrong or bad decisions Immoral behaviour 	<ul style="list-style-type: none"> Omissions of the correct and timely acting

6. MANAGERIAL IMPLICATIONS– DISCUSSION

In the economic perspective of transition, the management in Slovenia played one of the key roles, since they had to operate in circumstances characterised by the domestic as well as the foreign environment, both rapidly and drastically changing (globalisation). Beside numerous successful restructurings of companies, all types of management mistakes occurred, which were characterised by certain peculiarities in the transitional period. While the extent of *immoral behaviour* can be suppressed on the longer run by a greater assertion of moral codes, on the one hand (»One natural way to facilitate moral outcomes is through organizational cultures where certain principles, norms, and values are internalized and fully motivating.« (Smith, 2005)), and by a more efficient control, better accounting standards and even penal policy on the other, the *erroneous behaviours (wrong or bad decisions)* by the management can be reduced by their greater skilfulness regarding the complex processes of restructuring and the catching-up with the competitions. *The omissions of the correct and timely acting* of the management, on the other hand, can be prevented by a decreased influence of the state.

The omissions of the management, as one of the groups of mistakes, are otherwise problematic for identification (whether a different management would have been more successful during the same period), therefore, strategic alternatives ought to be pointed out, where even the supervisory body (board) can have a significant consulting role. This body, however, needs to be adequately qualified. If management mistakes take place during a period of emergence of a crisis, then the mistakes are not to be given opportunity during the period of crisis healing. The greater the

political influence, the visible management mistakes are less frequent, since a wider consensus of the participating sides is usually reached prior to making decisions, while the influence of omissions of the management is greater. The state aid, therefore, must not be an abetment to the management for the strategic decisions not to take place. Lesser the political influence, more activities will be required, whereas the mistakes can be more frequent but still less fatal than the potential passiveness (the failure to act).

Thus, the hypothesis, that the omissions of the correct and timely acting of the management during the transitional period may be more dangerous for a company, since they are more vital for the existence and the development comparing to the classical mistakes, is confirmed in basic outlines, taking into consideration the related categories as they are explained and understood in this article. The omissions are only more visible on a longer run and often scientifically not possible to confirm. The companies or industries, lagging behind the competition or the previously set developmental objectives, cannot afford omissions to act even for the potential cost in the form of mistakes. If there is really a more or less valid pattern of management mistakes in corporate crises and these mistakes appear differently with regard to changes in political and economical environment in countries in transition, this could help decision makers with a more grounded choice in the process of appointing new crisis or restructuring managers, every time according to their most appropriate competencies, including the capability for fuzzy logic in decision-making.

By taking into account many limitations of the mentioned confirmed hypothesis there are a lot of space for further and deeper researchers.

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